GOVERNMENT WASTE, FRAUD, AND ABUSE

HEARING

BEFORE THE

COMMITTEE ON GOVERNMENTAL AFFAIRS UNITED STATES SENATE

NINETY-SEVENTH CONGRESS

FIRST SESSION

ON

S. 1120

TO REDUCE THE AMOUNT OF FUNDS AVAILABLE TO AN AGENCY UNLESS THE AGENCY HAS REDUCED WASTE, FRAUD, AND ABUSE TO THE MAXIMUM EXTENT FEASIBLE OR DEMONSTRATES THAT NO WASTE, FRAUD, OR ABUSE EXISTS IN THE ADMINISTRATION OF PROGRAMS, AND FOR OTHER PURPOSES

JUNE 9, 1981

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GOVERNMENT WASTE, FRAUD, AND ABUSE

TUESDAY, JUNE 9, 1981

U.S. SENATE,
COMMITTEE ON GOVERNMENTAL AFFAIRS,
Washington, D.C.

The committee met at 10 a.m., in room 3302, Dirksen Senate Office Building, Hon. William V. Roth, Jr., chairman, presiding.
Present: Senators Roth and Pryor.

OPENING STATEMENT OF SENATOR ROTH

Chairman ROTH. The committee will please be in order.

I understand that Senator Kasten is on his way but in the meantime I will give my opening statement so that we can proceed as expeditiously as possible.

Today's hearings will focus on an innovative proposal offered by Senator Kasten to begin to bring under control a problem that has greatly concerned all of us, the problem of waste, fraud, and abuse in the Federal Government.

Last month this committee heard alarming testimony from the General Accounting Office which confirmed what many of us have long suspected, that fraud against Government programs is widespread and that most of it is undetected. It is no wonder to me that the American people are fed up with the misuse of their tax dollars. I believe that to solve this massive recurring problem we must have intense, well-coordinated effort in the Congress.

I was very pleased to see the priority given to the eradication of fraud, waste, and abuse by the Budget Committee this year under the most impressive leadership of Senator Domenici.

As I have said before, I intend to make the identification and elimination of fraud, waste, and abuse a major focus of the Governmental Affairs Committee. This is not a job that we will be able to do alone, however, and I particularly want to thank both Senator Domenici and Senator Kasten for their efforts concerned in this area.

I would also like to commend you, Senator Kasten, for your extensive efforts in formulating this bill. I believe you have, as I said earlier, a very innovative, interesting approach that is worthy of careful consideration and I am pleased to have both of you here on our first day of hearings on S. 1120.

I am not sure in what order you gentlemen have decided to proceed. Senator Domenici, do you want to proceed?

Senator DOMENICI. I have talked with Senator Kasten, Mr. Chairman, and he has very kindly consented to let me go first. I am supposed to be at another hearing at this time, also. So if that is all right with Senator Kasten, I will proceed.

TESTIMONY OF HON. PETE V. DOMENICI, U.S. SENATOR FROM THE STATE OF NEW MEXICO

Senator DOMENICI. Mr. Chairman, I have prepared remarks. I think I am going to depart from my normal approach and read most of this statement because we worked very hard to put these facts together, but at the outset, I would like to say to you and the members of the committee and in a sense to remind the Senate that while we are going through this rather extensive budget-cutting process, you have been very much a part of it, including the reconciliation mandate that the two institutions gave to their committees to cut and change laws which affect spending. I want to remind the committee and again refresh the recollection of the Senate that for 1983 and 1984 we have a long way to go in order to find the savings that are yet required even if we assume the entire reconciliation package is effective, passed, and saves the $36 billion for 1982.

Assuming that we really want a balanced budget in 1984, the minimum that we have yet to find in unidentified savings is in excess of $40 billion. That is the minimum depending upon which tax package is passed and how the economy responds. I think it is generally accepted that $40 billion is about bottom line, it might be as high as $50, $55, $60, but in attempting to point this path out to the Congress of how we would get there, we assumed, Mr. Chairman, and members of the committee, that in addition to itemized savings in direct appropriations, perhaps less outlays in military preparedness which at one point was recommended, and the like, we assumed significant, identifiable savings in the area of fraud, waste, and abuse.

In fact, we have plugged into the out years specific expectations of 1 percent. This approach of Senator Kasten as you know, Mr. Chairman, contemplates 2 percent set-aside but 1 percent is an identifiable $8.1 billion in budget authority and $7.2 billion in outlays for fiscal year 1983.

And, $8.7 billion in budget authority and $7.7 billion in outlays for 1984. But the seriousness should be understood. To the extent that we don't find and identify that much, Mr. Chairman, then we have to find it somewhere else to come within this $40 billion bottom-line savings yet to be achieved.

I appreciate the opportunity, not only to join as cosponsor my distinguished friend whose idea is before you, but I cannot stress enough the importance of establishing some mechanism to ferret out and eliminate and identify various wastes and abuses in Federal programs so that we know where we are from the standpoint of budget considerations.

All Government officials, media, and the public hear startling information regarding waste and abuse. The litany is long and frustrating and you probably know it as well as anyone. Everyone knows of some of the unwarranted Federal expenditures, nonproducing employees, or ill-targeted Federal programs. Yet concrete evidence is hard to come by. There is no line item in the budget that can be removed that would guarantee the removal of waste and abuse. The fact is that lack of a profit "bottom-line measure" in Government activity tends to remove the incentive to tighten up

on Federal waste and places enormous responsibilities on sone kind of oversight procedure.

While it is difficult, estimates do exist of certain abuses and potential savings. On March 3, 1981, then Comptroller General Staats testified before the House Budget Committee that up to $14 billion in 1981 alone could be achieved through improved management and efficiencies in Government.

In its report entitled "Reducing the Federal Budget: Strategies and Examples, 1982-86," the Congressional Budget Office estimates that a net savings of $1.6 billion could be achieved in fiscal year 1982 through improved debt collection by agencies in the executive branch, and that cumulative savings of $8.4 billion could be achieved over the next 5 years.

According to the General Accounting Office there are currently $125.7 billion in Government-wide receivables due, of which about $6.3 billion will be uncollectable. Of the $6.3 billion of uncollectables, $3.9 billion are student loans.

An Office of Management and Budget and General Services Administmation report on Federal travel indicates that 72 percent of the travel vouchers at the Department of Agriculture were for reasons unknown—83.6 percent at the Department of Treasury and 87.4 percent at HUD. Travel is obviously necessary, not only in Government, but just to be an active participant in the American economic scene, but one certainly wonders if the enormous sum expended on travel is truly warranted.

A recent report issued by GAO on March 6, 1981, entitled, "How to House More People at Lower Costs Under the Section 8 New Construction Program," indicates that significant savings—about $2 billion per year—could be achieved in the subsidized housing programs if HUD would take steps to increase incentives for high quality management, build more modest sized section 8 units with fewer amenities and improve program administration. This would require the establishment of cost saving incentives at the agency level, not just mandating restrictions from a legislative hands-off perspective.

Estimates of total spending on consulting services, which you again are very aware of, reach $2.4 billion annually and we have all heard of the problems associated with Federal consulting arrangements.

The National Tax Limitation Committee, in its February 15, 1981, report, noted that of 13,848 consulting contracts it reviewed, about two-thirds were granted without competition. Moreover, many were awarded to former Government officials. The study noted that up to $1 billion could be, and should be, saved through tightened consulting procedures in the Department of Energy alone and about $3 billion in 1982 Governmentwide.

The reports of potential savings are innumerable and disturbing; Yet, year after year the incentive to develop new programs seems to outweigh the incentive to curb abuses and inefficiencies.

The approach outlined by Senator Kasten, which I will defer to him in terms of the detailed explanation, is an innovative first step.

Mr. Chairman, to have each department or agency of the Federal Government find that 2 percent of the outlays expected were being

held by the Department of Treasury as provided for in this bill, until such time as that agency or department submitted its approach, internal approach, to savings by the elimination of waste, abuse, and fraud, would be the kind of incentive that would focus attention in the right place.

It is almost impossible to do this from the outside. This would have the employees, those who manage the departments, the Secretaries who belong to the Cabinet of the President, having to submit the detailed ways that they are going to effect these savings or in effect suffer a diminution of their budget.

Obviously, there are some agencies and departments that by nature would not be able to save, but the process and procedure of putting this incentive where it belongs within the departments with a penalty if they do not comply, is an exciting and new approach.

I urge that this committee, with primary jurisdiction in this area, give every consideration to the Kasten approach. Mr. Chairman, I would ask my statement be made a part of the record.

I thank you for permitting me to testify and thank my friend, Senator Kasten, for permitting me to precede him.

Chairman ROTH. Thank you, Senator Domenici, for your statement and it will be included as if read in its entirety.

I would like to ask two or three questions of you before you depart. The term we all use, "waste, fraud, and abuse," is not defined in this particular piece of legislation, nor, as far as I know, anywhere else. I wonder, does the Budget Committee have any definition of these terms? For example, would the failure to collect receivables fall within the definition of abuse?

Senator DOMENICI. I would say that certainly is not fraud. It probably is an abuse, but it might also be waste. I think the one that you have got to eliminate is fraud and start defining from that down. Fraud, as I understand it, is a much narrower and more easily defined term. It actually involves criminal violation of the law.

So in that regard certainly what you describe would not be that. We have some definitions. I do not think the Budget Committee has any definitions that they use but I understand that there are various definitions.

Senator Kasten has prepared them in detail and is prepared to discuss them from the legal standpoint. I would, with the Chairman's permission, defer to him on that.

Chairman ROTH. Let me ask two other questions. In this legislation the release of funds would be by the Secretary of the Treasury. I wonder if it wouldn't be more appropriate for the Director of OMB to release funds, as a practical matter. Maybe we can hold that question for Senator Kasten, but I didn't know whether you had any comment.

Senator DOMENICI. Mr. Chairman, actually from my standpoint it would not make any difference as long as we were using that instrumentality within the Federal Government that could actually enforce the withholding.

In that regard, I think perhaps there is a difference between the Secretary of the Treasury, who makes the money available literally and OMB that has only those kinds of management tools that we

give them. They really cannot stop the money flowing once the borrowing has taken place and the authority has been given. It has to be at some place that can be effective. I leave that up to the committee, but I certainly urge that it not be another directive. It literally has to be a forced reduction of 2 percent of what they have available.

Chairman ROTH. I am concerned that we are beginning to build many procedures into the legislative process each year to such an extent that it seems to me that we are always trying to catch up with ourselves and really don't maintain the kind of controls that I think are effective.

I must say I agree with the thrust of this legislation. I think it is extraordinarily important that we make the various agencies and departments aware of the importance of doing something about fraud, waste, and abuse. The recent study of OMB shows that that is not the case. I think it is important if we adopt this procedure that we take a look at how it meshes into our other procedures. I am very concerned about the cumbersomeness of the congressional procedures and the time restraints and restrictions we are imposing on ourselves which I am not certain make for effective legislative action. Do you have any comment at this time?

Senator DOMENICI. I agree wholeheartedly, Mr. Chairman. I do not know where we start to improve that, but I am fully aware that this process in the Kasten bill would impose another procedure on the institutions. I would only say this, Mr. Chairman, there is obviously great room to streamline, for instance, the budget process, and, frankly, I have shared a number of those with you. You have joint jurisdiction in modifying that law, but it is with great trepidation that I would step out and try to amend that act in the middle of something like reconciliation. It would seem to me that there is enough animosity around right now that we surely wouldn't want all that animosity to be strengthened in an amending process on the Budget Act at this point. We are apt to end up instead of streamlining it, to zero it out. So I am not very excited about doing that quickly. But for instance, there isn't any real reason to have a first and second concurrent resolution in so short a time, with such a small distance between them. That is one of the processes that addresses your concern now, to build another process on top of that. In this instance we have this very cumbersome reconciliation. We barely finish. Senator Hatfield is quite right. When are the appropriators going to have time for all of the appropriation bills and when will you find time to pass the meaningful legislation of the type that you have in mind to report out here? That has to go on, too.

So I share that concern. But I repeat, I do not think you are going to get to the heart of fraud, waste, and abuse without some mechanism that builds in an incentive at the department level for the savings to occur.

I think oversight is one of the things we have failed to do adequately in the Congress, but I really do not think we are going to get at this pervasive part of big, big government which is really where it comes from. An awful lot of it is totally unintentional. It is tough to manage, it is bigness, it is bureaucracy, but I think you have to have the mechanism to make somebody account for it, even

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if you do it on a trial run for a couple of years and even if you measure everything except fraud, which obviously requires an intent to cheat.

If you measure everything else against what they expected to spend, and say that is what was expected in these programs, now, by better management, you can save a few percent, you are addressing waste, and abuse. It might not be within the conventional definition, but that kind of savings is management savings that delivers the service intended but does not cost as much. In the meantime, somebody accounts for how they got service for less cost, delivered in the right places at the right time.

Senator KASTEN. Mr. Chairman, I would like to make one additional point. The bill as it is written has a sunset provision. In other words, it is not necessarily our intention to establish this process on an ongoing basis, but somehow or other we have got to identify a way that the executive branch and the legislative branch can work together to get us moving. We have been talking about doing this for ages and we have not been able to develop any kind of a coordinating mechanism. So we are establishing a mechanism that is intended to make a start. Once in place, and the system is in place for a couple of years, maybe then we will be in the position to deal with these problems more successfully in the budget and the appropriations process. But we have been talking about oversight, talking about getting at waste, fraud, and abuse in some cases and success has been limited.

In the House budget report, for example, they just took a number, said, "We are going to save this much without any mechanism at all." This will establish a mechanism and I believe will get us moving.

Possibly then we can take out some of these impediments that we are putting into the legislative process.

Chairman ROTH. Thank you.

Senator DOMENICI. Mr. Chairman, with your permission, I would like to make just one comment that Senator Kasten reminded me of. He is absolutely right. If you take fraud, waste, and abuse and you assume in the first resolution that everybody is going to make a little savings, let's just pick a number, say you save $5 billion, what mechanism do we have other than to put it into the target? As you know, the targets are just that. They are not binding in the first resolution. Everyone then goes and tries to meet their appropriations or estimating the entitlements between that first target and the second one. Everyone pats themselves on the back for having cut something. But very infrequently do we end up meeting the targets. The second batch of cumulatively enforcible targets, the sum total of which is enforcible, has seldom been less than the first. If somebody really made some management savings of significant proportions they probably come and tell you they have—something usually happens in the meantime such that spending increases anyway. Once and for all it seems that because of your genuine interest and because the American people are asking for this at this point that we ought to find a way to clearly identify it and be able to report that it is occurring. So nobody gets credit if they didn't do it and if they did do it, they indeed get credit for it. You don't want to give the departments a double dose.

If they save, they ought to get credit for it. Otherwise if the programs are being handled right, they ought not to get penalized with the whole lot so to speak. I thank you very much, Mr. Chairman.

Chairman ROTH. Senator Domenici, I appreciate your being here. I would like to say that if this committee does intend to try to hold some hearings, if not this year, at least by next year on our whole budgetary process, on which you have joint jurisdiction, I would say that I think one of our goals should be the simplification of the whole process. For that reason I have been withholding action on sunset legislation, because I am concerned if we impose too cumbersome a process, it will totally fail. But I want to congratulate you for the outstanding job you have been doing as chairman of that committee.

Senator DOMENICI. I agree with your scenario and approach. I would just add to the simplification notion. I think that has got to be done on the Budget Act. I would hope we would also begin to consider whether it has enough enforcement mechanisms in it, also. I mean that is very tough for the Congress to consider but we do ask people to vote on a lot of things up here and they think they have effected savings and go home to say they have, only to find it doesn't work. Some way or another there has to be a little more enforcement built into it, in some way, even if it is delegated to other committees to enforce what they have voted on in the Budget Act. But you need both simplification and enforcement.

Chairman ROTH. No question about it.

Senator DOMENICI. We have to look at it very carefully.

Chairman ROTH. Thank you very much.

Senator DOMENICI. Thank you very much, Mr. Chairman.

[The prepared statement of Senator Domenici follows:]

PREPARED STATEMENT OF SENATOR PETE V. DOMENICI

Mr. Chairman and distinguished members of the committee, I appreciated the opportunity of testifying before your committee today on a matter of considerable importance—that of establishing an incentive mechanism to ferret out and eliminate various wastes and abuses in Federal programs. I want to commend Senator Roth and congratulate your committee for its effort in this matter. I also want to recognize and applaud the efforts of Senator Kasten in this matter. He has presented us with an innovative approach—one which puts the burden where it belongs and establishes the appropriate incentives. The time is overdue to find new approaches to this old problem of program oversight.

All Government officials, media and the public hear startling anectodal information regarding waste and abuses in Federal agencies. The litany is long and frustrating. Everyone knows of some unwarranted Federal expenditure, a non-producing Federal employee, or an ill-targeted Federal program. Yet concrete evidence is hard to come by. There is no line item in the budget that can be removed that would guarantee the removal of Government wastes and abuses. The fact is that the lack of a profit, "bottom-line measure in Government activity tends to remove the incentive to tighten up on Federal waste and places enormous responsibilities on the Federal oversight procedures.

But estimates do exist of certain abuses and potential savings. On March 3, 1981, then Comptroller-General Staats testifed before the House Budget Committee that up to $14 billion in 1981 alone could be achieved through improved management and efficiencies in the Federal Government.

In its report entitled, "Reducing the Federal Budget: Strategies and Examples 1982-1986," the Congressional Budget Office estimates that a net savings of $1.6 billion could be achieved in fiscal year 1982 through improved debt collection by agencies in the executive branch, and that cumulative savings of $8.4 billion could be achieved over the next five years. According to the General Accounting Office there are currently $125.7 billion in Government-wide receivables due, of which

about $6.3 billion will be uncollectable. Of the $6.3 billion of uncollectables, $3.9 billion are student loans.

An Office of Management and Budget and General Services Administration report on Federal travel indicates that 72 percent of the travel vouchers at the Department of Agriculture were for reasons "unknown"—83.6 percent at the Department of Treasury and 87.4 percent at HUD. Travel in certain circumstances might be necessary but one certainly wonders if the enormous sum expended on travel by the Federal Government is truly warranted.

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Estimates of total spending on consulting services reach $2.4 billion annually, and we have all heard of the problems associated with Federal consulting arrangements. The National Tax Limitation Committee, in its February 15, 1981 report, noted that of 13,848 consulting contracts it revised, about two-thirds were granted without competition. Moreover, many were awarded to former Government officials. The study noted that up to $1 billion could be, and should be, saved through tightened consulting procedures in the Department of Energy alone and about $3 billion in 1982 Government-wide.

The reports of potential savings are innumerable and disturbing. Yet, year after year the incentive to develop new programs seems to outweigh the incentive to curb abuses and inefficiencies.

The approach outlined by Senator Kasten would require a simple but innovative five-step procedure. First, Congress, at the start of the fiscal year, would direct the Secretary of the Treasury to withhold from obligation two (2) percent of each agency's appropriated funds. The committee assumption is a more modest one percent.

Second, each Federal agency would then be required to submit a plan which outlines the procedures it will use to eliminate two percent of its budget in waste, fraud and abuse.

Third, if an agency feels it cannot make these savings, it must report to Congress the basis for that determination.

Fourth, the Governmental Affairs Committees in the House and Senate, along with the authorizing committees, will then conduct an investigation of each agency's efforts using Inspector-General reports, Comptroller-General reports, public testimony, etc. The committees will then recommend whether any of the money should be released.

Fifth, and finally, the Appropriations Committees of the House and Senate will then, by joint resolution, direct the Secretary of the Treasury to release as much of the money withheld as they feel justified, based on the recommendation of the investigating committees and their own assessment.

The approach that Senator Kasten has outlined is bold and innovative. It provides an incentive for each agency to review and effect savings and forces that agency to explain why the full two percent should not be subtracted from its operating budget. The burden of ferreting out waste is shifted from oversight to the operating agency.

The Budget Committee in its first budget resolution for fiscal year 1982 assumed that a way will be found to produce savings of $8.1 billion of budget authority and $7.2 billion of outlays in fiscal year 1983 and $8.7 billion of budget authority and $7.7 billion of outlays in fiscal year 1984. This amount is, in essence, half the amount that would be saved in the Kasten bill if the entire two percent reduction were to be upheld. Nevertheless, it is a substantial savings and one that is absolutely essential if we are to rein in this runaway budget.

Again, I applaud this committee for its concern and initiative. Likewise, I congratulate Senator Kasten for his creativity and imagination in attacking the problem of waste and abuse in Federal programs. It is an innovative approach and one that puts the responsibility and incentive where it belongs. I am pleased to be a cosponsor. I urge this committee to support the approach Senator Kasten has taken. The Senate has voted to pursue some systematic way of reducing waste and I think this is the best way. The country demands that we tackle this problem head-on.

I will be pleased to answer any questions that you might have.

Chairman ROTH. Senator Kasten, I want to again reiterate my appreciation for your initiative. I think that as a new Senator you

have taken a splendid attack on a very, very serious problem. As I am sure you are aware, a recent study by the Merit Systems Protection Board showed, and I think this is particularly distressing, that many of our employees in the executive branch of the Government feel that even if they expose cases of fraud, that no action would be taken by their superiors to correct it. This particular study is based only on fraud. To me this is a most serious problem we face when the people who are in the position to do the most—it has to be done on a day-to-day basis—feel helpless, feel a sense of impotency. So I congratulate you for focusing on this problem and coming up with a very resourceful approach to it.

TESTIMONY OF HON. ROBERT W. KASTEN, JR., U.S. SENATOR FROM THE STATE OF WISCONSIN

Senator KASTEN. Thank you, Mr. Chairman. I was on a radio program a couple of months ago on this question. It was a talk show. Part of the call-in audience was Government employees. On their phone calls they said we pointed out such and such example, in our department, and nothing was done. There is a sense of frustration. I think, Mr. Chairman, that is really the main effort that we want to make here, is to show that we are at least trying to get a start. There was an article in the newspaper yesterday that says:

> HUD accused of letting contracts bloat. A Government whistle-blower said yesterday that up to $1 billion may have been thrown down the rat hole since 1975 by the Department of Housing and Urban Development on poorly controlled contracts, consulting and research firms. The individual based his testimony on the recent random audit of 10 contracts by HUD's Inspector General. They wasted about two-thirds of the money on what they had been spending on the contract said the person who distributes the newsletter; called Impact. It is just being thrown down the rat hole.

These are the kinds of articles we have been seeing for too long. That is, I think, why we want to begin to go in the direction that we are going in here. I appreciate the opportunity to testify. It is also a pleasure to testify along with Senator Pete Domenici who has provided such outstanding leadership on the Senate Budget Committee. I know that he understands the problems of trying to balance the budget, and I certainly welcome his support for my bill to eliminate waste, fraud, and abuse and to set up this coordinating mechanism.

I also want to commend your leadership, Mr. Chairman, and the members of this committee for your efforts to get at this complex and frustrating problem of mismanagement and inefficiency in Government. I have been following the activity of this committee and I fully support your efforts. I certainly feel very comfortable outlining the provisions of my bill: The Waste, Fraud, and Abuse Reduction Act of 1981.

I want to summarize my testimony, Mr. Chairman, and I ask that my full statement today along with statements which appeared in the Congressional Record on April 9 and on May 6 be made part of the record of this committee.

Chairman ROTH. Without objection, they will be included in the record at the conclusion of your testimony.

Senator KASTEN. This committee has already held numerous hearings this year on the Merit System Protection Board, fraud

and other related issues. So I think I don't have to belabor the point on whether or not a problem exists. We saw the newspaper article here, but Don Lambro, author of Fat City, has suggested waste, fraud, and abuse may be as much as $100 billion annually. You have had testimony suggesting that as much as $35 billion of overdue debt to the Federal Government exists and is costing the taxpayers as much as several million dollars daily just for interest.

Mismanagement of contracts is legend. The failure of Federal employees to actively pursue identified problems has been documented.

Meanwhile, this Congress is going about the necessary task of cutting back certain programs and canceling other programs, many key programs that are worthwhile.

The taxpayers are well aware of both the program cuts and the continuing waste, and they are fed up. They want Government to be more efficient and they believe Congress has a major responsibility. I believe President Reagan has done an excellent job of placing the issue of waste before the voters. He is also creating a better atmosphere within Government to attack the problem. I commend him for his efforts, and I think we are going to be moving in the correct direction.

Our bill is designed to enhance these efforts. It would establish a cooperative effort between the administration and Congress to attack the problems of mismanagement and inefficiency. I believe this bill will strengthen the administration's hand by signaling to all Federal employees that Congress is concerned, and that we intend to do something—now.

And within Congress, this bill provides a method for comprehensive review and oversight of all agencies Too often in the past, I believe, we have tended to protect our own special programs—our turf, if you will. As a result, we have never established a comprehensive review mechanism that is across the board. To deal with this problem I know that you, Mr. Chairman, have been a leader in the effort to make flat percentage reductions for waste, fraud, and abuse. Back in 1978, Joseph Califano, then Secretary of HEW, told Congress there was an estimated $7 billion of waste, fraud, and abuse in his agency alone. Yet, when you offered an amendment, Senator Roth, on July 20, 1979, to cut a minimum amount of $500 million to come from waste, fraud, and abuse in HEW, that amendment failed 53-41. Other similar attempts have failed. We have seen it. I think what we need is a better mechanism in order to accomplish the objective that all of us have been working on.

I believe that the major responsibility for getting rid of the waste ought to be placed on the executive branch. But I also believe that it is proper, it is necessary and it is an appropriate role of Congress to insist that they do a good job. One way to get their attention is by taking away money.

This bill has basically four steps. The first part of it is designed to get everyone's attention. It simply directs the Secretary of the Treasury to withhold from obligation 2 percent of all appropriated funds until certain other conditions are met. We did it with the Secretary of the Treasury rather than the Director of OMB simply because it is the Secretary of Treasury who has the official responsibility of disbursing the money.

The second provision is that every agency, by the start of the fiscal year, must submit to Congress a plan outlining what it intends to do to identify and eliminate the 2 percent. This should have the effect of putting everyone on notice right down through the agencies that a plan exists and people are going to be expected to do what they ought to be doing anyway—to work toward saving in this area.

The third step provides that every agency can apply to have all or part of the 2-percent money released if they can't find that amount of waste, fraud, and abuse.

Now it should be noted that the bill does not provide for this committee to make a final decision on whether or not funds should be released to the agencies. Rather, Governmental Affairs and Government Operations, following their deliberations, will make recommendations to the Appropriations Committees. There is a very important reason for this provision, even though it does add an extra step.

The Appropriations Committees are already feeling a bit put upon through the budget process. Chairman Mark Hatfield has been most gracious in his cooperation with the Budget Committee to help make the budget process work. I serve on both the Budget and the Appropriations Committees and I strongly urge that the Appropriations Committees be allowed to make the final decision. Otherwise, I believe there could be serious conflict over jurisdiction.

Personally, as a member of the Appropriations Committee, I would welcome the recommendations of this committee; your recommendation, Mr. Chairman. If, for example, an agency came before this committee and identified certain cuts from waste, fraud, mismanagement, or reorganization, I would find that information helpful in appropriating money for the subsequent year. Identified waste and mismanagement should be kept out of the subsequent budgets.

I would also like to note at this point that it is required of the agencies when they make cuts that they list alternatives that we are considering, the impacts on programs, and why the cuts were made.

This should keep the agencies from cutting programs while continuing to tolerate waste or mismanagement. On the local education level, it is always the football jerseys and band uniforms that are cut first when they try to start and do something about cutting back on spending. What we want to do is to work out a way that we don't see them taking only those particular areas that might be politically most sensitive and not cutting to the real problem which is waste, fraud, and mismanagement.

The final step, Mr. Chairman, is for the Appropriations Committee to bring a resolution to the Congress prior to the fourth quarter disbursement on July 1 authorizing the Secretary of the Treasury to release whatever amount of the 2-percent money it deems appropriate. It is clear that the Appropriations Committee certainly could disagree with the recommendations of this committee. However, I believe your recommendations would serve clearly as a minority report for floor debate if it turned out that it was not accepted by the Appropriations Committee.

I think it is fair to say that by itself this bill isn't going to solve the problems that we have been discussing unless both Congress and the administration make it work. In fact, as I mentioned earlier, we put a sunset provision in so that we can reconsider the entire process after 2 years. Perhaps then we can make it work without some of these extra steps. But I do believe that this is not only an important but an absolutely necessary step in the right direction.

At the very least it is going to send forth a clear signal to the public and the management officials in the Federal Government that the days of covering up or ignoring waste, fraud, and abuse because "they don't believe anything can or will be done" are over. We have got to make them understand that. Every Federal agency will know that it could be called upon, could be called here before your committee, to justify its performance. By withholding the front-end money, bureaucrats will get the clear message that action is expected and is required. Every agency will have to submit a plan.

I understand and I recognize that there might be some duplication. But that may not be too bad in itself. I believe any committee with oversight responsibility can hold its own hearings just as Senator Hatch, for example, is currently doing with the National Cancer Institute. This bill, in fact, provides for consultation between authorizing committees and this committee.

Indeed, we need more oversight, not less. As I implied earlier, there is plenty of waste to go around. It seems to me, Mr. Chairman, that the implications of this bill really go beyond the problems of waste and fraud and inefficiency and abuse. For if we can eliminate these unnecessary costs of doing Government business, we can cut directly to the issue of sound fiscal management, the issue of balancing the Federal budget and to the issue of just how much room can be made for badly needed tax cuts. These are the most important issues facing us in Congress.

The American people today are demanding solutions. They are fed up with the wasteful horror stories in newspaper articles. They expect some kind of action.

I thank you, Mr. Chairman, very much for holding these hearings so promptly after our bill was introduced. I greatly appreciate the encouragement that you and other members of the committee have given me and I believe that under your leadership this legislation will receive fair consideration.

I look forward to working together along with members of the Budget Committee and Senator Domenici, to solve these problems by promoting greater efficiency and accountability throughout the Federal Government.

Mr. Chairman, I would be pleased to answer any questions which you or other members of the committee may have.

Chairman ROTH. Thank you, Senator Kasten. I raised the question earlier about the definition of the terms fraud, waste, and abuse. I wonder if you have given any thought to that or did you deliberately keep the terms general?

Senator KASTEN. Mr. Chairman, when we discussed this with the legislative counsel and the people who were drafting the bill, my inclination initially was to define the terms. However, we were

advised and Senator Domenici pointed this out, we were advised that fraud is already defined by statute. In the Congressional Quarterly of February 21, 1981, at page 343, the following definition were tempted: Fraud, criminal violations of the law, is easiest to define, difficult to estimate because detection is chancy. Abuse, takes in a large and a more amorphous collection of behavior that is not clearly illegal but also is not what Congress intended.

One example which was cited by Richard B. Lowe, former Inspector General of HHS, is "massive sale of social security cards to ineligible persons such as illegal immigrants." Lowe claims transfer of the cards is not explicitly outlawed by Federal statute, even though possessing one enables the holder of course to collect food stamps, unemployment assistance, other kinds of benefits to which he actually should not be entitled.

On waste, this is the most elastic term, former Controller General Staats noted in a January 1980 speech. He said that it could refer to an individual's idea of unnecessary or low priority programs. It could refer to duplication of effort, it could refer to poor management, or it could refer to a host of other things which would depend a great deal upon one's view as to what should be undertaken by Government.

So these are the definitions that we are at the present time working with in the Government. We felt that we would stick with those definitions and in those areas and not try to further define them. I hasten to add that if you and your committee could be of help in further specifications on some of these areas I am sure that all of us would look forward to working with you.

Chairman ROTH. In your draft of the legislation you provided for comments, as I understand it, from the various committees who have primary jurisdiction over the executive branch.

I wonder if we shouldn't ask for specific recommendations in the area of waste and fraud. One of my concerns is that if you take the timeframe, and the largeness of Government, to what extent, say, can any one committee, such as the Governmental Affairs Committee, review all of the nearly 600 departments and agencies? Would it be desirable to impose a higher level of responsibility to the authorizing committees who presumably have the expertise and knowledge? Instead of just asking for comments, should we specifically require that they make recommendations?

Senator KASTEN. That, of course, is the process that Senator Hatch is involved in, in a way, right now with the Cancer Institute with the hearings that they have been having and we in no way want to preclude those hearings. I would not disagree with the idea of further involving the various authorizing committees, although we felt that this committee was the committee in which it can all come together. Perhaps you would like to develop some kind of an intermediate process, whereby the initial reports or the initial comments, would be collected and then put together and funneled into you. Therefore, rather than having 600 reports coming to you you would have maybe 60—I think that may be sensible. I believe, Mr. Chairman, if we set up this mechanism that just putting together the mechanism, and forcing the agencies to develop the system and to show us where they are going to eliminate and reduce waste, fraud, and abuse, just that in itself, the fact that

they are submitting these reports, will just be a tremendous step in the right direction.

I don't anticipate that there would be a lot of discussion or a lot of problems or a lot of time in the process of reviewing what they are doing. The review, and the problems which would occur when an agency came to us, whether it is to this committee or to the Appropriations Committee and said we want our 2 percent back, there is no waste, fraud or abuse in our department, at that point with that agency I think we would have to have some serious review.

Chairman ROTH. One of my concerns, as we approach any new procedures, is that we develop something that is meaningful and not something that the agencies or departments find ways of theoretically complying with but it really has no major impact on their actual operations.

For example, some time ago, zero-based budgeting was looked upon as a possible mechanism of correcting some of the abuses of our budgeting in the past. Certainly it hasn't been as successful as many of us had hoped.

Senator KASTEN. Some of us are still for it.

Chairman ROTH. But the suggestion has been made, or the criticism has been made, that what the agencies would do under your proposal is just add a certain amount to their budget requests sufficient to cover the portion of their funds that would be withheld.

Do you see that as a problem? In other words, I guess what we are saying is that with the budgets of even the individual agencies and departments so huge that those that don't want to comply in good faith conceivably could appear to go to the root of the process without making any real change.

Senator KASTEN. First of all, I think that is possible. That is going to be the job of those of us who are in the oversight business to try to see that they don't pad that legislation. I think if we can get the agencies to identify savings then we have a better chance of identifying the various factors in the appropriations process. I mentioned in my testimony, I want to point this out, with regard to cutting the programs as opposed to cutting the waste, section 4(b) on page 3 of our bill, provides the following: Any plan required by this section may not provide for the reduction of services provided pursuant to the programs administered by the agency.

That provision is in the bill specifically to guard against agencies cutting programs while continuing to tolerate the waste and fraud and abuse. I would like to make one other point on this same area. This legislation would not in any way prohibit the President from cutting programs. Such cuts would be made by the normal rescission and deferral process provided for in the 1974 Budget Act.

But the padding problem is one that we would just have to cover. Who knows? They might be padding things even today.

Chairman ROTH. Of course, that is one of my basic concerns. When you are dealing with billions, we would like to think we can understand what is being authorized, but I think it is extraordinarily difficult for anyone to comprehend when you have whole intelligence agency expenditures hidden in the budget. I just sometimes wonder to what extent we are realistic.

But that certainly doesn't give us any rationale for not trying.

Senator KASTEN. Yes. That problem exists whether or not we have this program or not.

Chairman ROTH. That is correct. That is absolutely correct.

Senator Pryor?

OPENING STATEMENT OF SENATOR PRYOR

Senator PRYOR. Thank you, Mr. Chairman.

Mr. Chairman, I would like to commend you for holding this hearing. I think it is certainly timely to consider Senator Kasten's bill at this point in the budgetary process cycle. And I also would like to commend Senator Kasten. I think that this idea is very novel and certainly unique. I am not a cosponsor. I am going to consider becoming one, Senator, although I think there are a few questions about it, because it is a piece of legislation that does seek to address a number of grievances that we have been faced with in the budgetary process.

I know that it is a controversial piece of legislation, especially in the Government. I would once again like to commend you for bringing it to this committee and for having the originality to introduce it.

Second, Mr. Chairman, I would by unanimous consent like to submit a statement sent to me just a few moments ago by our colleague, Senator Sasser.

Chairman ROTH. Without objection.

Senator PRYOR. Senator Sasser is a cosponsor of Senator Kasten's legislation and I would also like to have my statement, Mr. Chairman, submitted for the record.

Chairman ROTH. These statements will be included, without objection. So ordered.

[The statements follow:]

PREPARED STATEMENT OF SENATOR PRYOR

I would like to begin by commending the Chairman for initiating these hearings and for his dedication to the elimination of fraud, waste and abuse, through legislation and oversight by this Committee. Likewise, Senator Kasten's efforts, embodied in the legislation we are to consider today, illustrates his concern over the presence of fraud, waste and abuse and the need for Congress to act immediately to address this pressing issue. It is a concern that I and many of our colleagues share—and one which must be addressed if the Congress is to satisfy its responsibility to the taxpayers.

The issue of fraud, waste and abuse is a familiar subject to this committee. In recent years the issue has been highlighted in a number of ways, for example:

My investigation into the government's use of consulting services has established that a great deal of waste, fraud and abuse exists in the $4-5 billion annually spent on such services;

Senator Eagleton has shown the savings that can be realized by aggressive efforts by Inspectors General;

Senator Chiles, in examining the federal procurement of furniture, revealed the waste and abuse existing in that area of federal spending;

Senator Sasser has examined the federal government's travel expenditures and the potential cost reductions that can be achieved in this area;

Senators Levin and Cohen, in examining the perennial 4th quarter spending problem existing government-wide, have shown the abuse and wasteful spending threat occurs just for "spending's sake". They have also shown how little the government does to terminate its relationships with contractors guilty of fraudulent or improper conduct.

1120 provides a new approach by providing for a two percent withholding of agency funds and a Governmental Affairs Committee review of agency actions. It is a unique idea and it deserves consideration. I look forward to the witnesses today as

we in the Congress look for ways to control the cost of government and better manage the funds entrusted to us by taxpayers.

OPENING STATEMENT OF SENATOR JIM SASSER

Mr. Chairman, I want to commend you this morning for your leadership and interest in continuing this series of hearings into the pervasive problem of waste, fraud, abuse, and inefficiency in the Federal Government.

If we are to have a Government-wide approach in this endeavor, that approach should generate from this committee. Today's hearing is another demonstration that it is. And frankly, this hearing couldn't have come at a better time.

Every sector of American society is being asked by the President and the Congress to make sacrifices in an effort to reduce inflation, cut back on Federal expenditures, and balance the Federal budget.

In this context, the focus of this morning's hearing, S. 1120, the Waste, Fraud and Abuse Reduction Act of 1981, is timely because S. 1120 will be an important element of this overall effort.

I was happy to join Senator Kasten as a cosponsor of this legislation, and I am pleased that the significance of this bill is amplified through the supporting presence here this morning of Senator Pete Domenici, Chairman of the Senate Budget Committee. As a member of the Budget Committee, I am well aware of the necessity and importance of reconciling proposed spending reductions as a part of the overall goal of stabilizing Federal spending and bringing our budget into a behavior that comports with the times.

In discussing S. 1120 with others, I have occasionally referred to it as the "two percent solution." It makes sense to both the American public and to Federal agencies to ensure that a failure to control instances of waste, fraud, abuse, and inefficiency in a Federal agency will be met with a mandatory punishment—in this case, the loss of two percent of an agency's annual funds.

I might point out that, on its face, two percent may not seem like much, but when one realizes that agency budgets amount to billions of dollars annually and that we are looking at a Federal budget in the neighborhood of $600 billion, the consequence of a "two percent solution" is enormous.

Enormous is also the word we here in this committee might use to describe the nature of responsibility we are imposing on ourselves with this legislation. After all, the principal responsibility for evaluating the worth of an agency's anti-waste and fraud efforts falls with us, and with our companion committee in the House—the Committee on Government Operations.

I am certain, however, that none of us on this committee shrink from that responsibility. Rather, we welcome it, as oversight of policies affecting government-wide operations is indeed our responsibility.

Finally, I want to point out that S. 1120 complements a number of my own legislative initiatives over the past several sessions of Congress: establishment by the General Accounting Office of a nationwide, toll-free fraud "hotline" in which individuals can report allegations of waste, fraud and inefficiency; a proposed debt collection bill in which the government can finally put some teeth into its efforts to recover the billions of dollars in delinquent debts owed it; cutbacks in the Federal travel budget, and: grant reform legislation which will reduce dramatically the cost of administering Federal assistance to state and local governments.

Certainly, this committee has taken and is taking solid steps toward the long-range goal of eliminating the wasteful overhead costs of government. Approval of the legislation discussed here today will be another meaningful step in that direction.

Senator PRYOR. Thank you, Mr. Chairman.

I think that this legislation, the concept of it, is something that I think we have needed for a long time. It combines not only oversight but also the utilization of the power of the purse. That is something I think for too long we have not been using properly in the Government and it is impossible, as a matter of fact, to go back home and to explain to our constituents some of the billions of dollars that we know are wasted and are impossible to track down. I have said a couple of times that we are fighting a bear with a switch when we attempt to do this. It is almost like nailing Jell-O

to the wall. This is an area that Senator Kasten is approaching that I think certainly merits our attention and our consideration.

The chairman has mentioned the padding of budgets and the possible propensity of the agencies to put in an extra 2 percent. I am wondering if there might not be some strengthening language in Senator Kasten's proposal to us. I don't know if you—I know that you have thought about this, but I wonder if it might not be possible to have some language that we could adopt that would specifically address itself to eliminating padding of budgets to compensate for the extra 2 percent.

Senator KASTEN. I would assume that everyone understands the budget padding even under the present circumstances is not acceptable but I would welcome your suggestion. I think it is a very, very important one and good one. I would welcome your suggestion that we put in some language that would specify and further point out that adding a 2-percent cushion there is absolutely prohibited and maybe even you might want to consider some specific penalties.

Senator PRYOR. I certainly as one member of the committee would be interested in discussing this with you.

Senator KASTEN. I would be anxious to work with you in that direction.

Senator PRYOR. The second question I would like to ask, Senator Kasten, is what would be the relationship with the Inspector General, say, if the Kasten legislation becomes law? Where would the Inspector General fit into the scheme of things as it relates to the agency making its recommendations or making its findings as to the amount in the fraud, waste, and abuse areas.

Senator KASTEN. There would be no change and this legislation does not address the Office of the Inspector General in any way. There would be no change in what they are doing at the present time. I would hope and assume that in the process of developing their plans agency by agency they would be taking into consideration reports and information that they have received through the Inspector General and the Inspector General's investigations.

Senator PRYOR. One concern that I have had not only as a Member of the Senate but especially when I was occupying an executive position as Governor of our State some years back, was when we attempted to implement savings in agencies, it seems like too often a lot of the agencies would simply come forward and not necessarily cut out what we would consider waste, fraud and abuse, but what we would consider those programs which were the most sensitive and the most politically popular and many times those programs that we considered the greatest necessity. Is there any addressing of this issue in your legislation as to how we might prohibit some of those practices by the agencies themselves?

Senator KASTEN. We were kidding earlier this morning about every time you cut a school budget, the first thing to go is the band uniforms and football jerseys. There is in our bill specific language. It is section 4(b) which is on page 3 of the bill. It says in that language any plan required by this section may not provide for the reduction of services provided pursuant to the programs administered by the agency. What we were trying to do in this provision is specifically guard against the kind of thing you are talking about, agencies cutting programs; cutting programs that may be political-

ly popular, cutting those kinds of programs at the same time tolerating waste, fraud or abuse. So we do try to get at that particular problem and as in the 2-percent padding question that you were talking of before, I would be anxious, I am sure all of us would be anxious to work with you if there are ways or suggestions that you can think of that would further define this problem and specify that that is clearly the problem, whenever we cut anything in Government and we can't let them do that.

Senator PRYOR. I imagine that you are finding out in what we call the bureaucracy, you are finding agencies coming forward day by day, telling you or telling your staff, or testifying as to why this legislation would not work. I would just hope that we could adopt an attitude in the Government to try to find a way to make pieces of legislation like this actually work so as to accomplish the result which you are intending to accomplish.

I think that my final question, Mr. Chairman, would simply be to Senator Kasten, do you have any estimates—you may have covered this earlier in your statement, I am sorry I was late—any estimates of the administrative expenses that not only the Governmental Affairs Committee would be utilizing or having to use to beef up the number of its staff, or other possible administrative expenses. Certainly, I would hope that these would not be incurred additionally out in the agencies themselves. Have you addressed yourself to that?

Senator Kasten. We have not in the bill added any money and we have not assumed that there would be any additional administrative expenses on behalf of the agency or on behalf of the congressional committees. The assumption at this point is that this report should be able to be made. They are planned for identifying waste, fraud and abuse, which should be able to be made with existing personnel. I would like to point out that in the last couple of months we are readinq about an awful lot of agencies who even without this kind of legislation, one way or the other, are putting together a task force, trying to identify problems, whatever, they are all doing it out there right now. But they don't have a coordinating mechanism, they are not all fitting in a certain form, they are not all on a certain schedule, frankly we wonder sometimes whether they are putting together a task force, putting out a press release, but they are doing it right now, at least they say they are doing it.

From your point of view in the legislative branch I think it is more difficult. As Senator Roth pointed out earlier, we are talking about a bunch of different reports that could be coming in to us with people that have to review them. My sense is that the problem in terms of reviewing those reports would not be so much in reviewing the ones in which they said we can save the 2 percent, this is how we are going to save it, we kind of take a look, say great, we have got the process working with you, that our attention, the time we would need would be on those agencies and groups who came to us, said we can't save the 2 percent, we have no waste, fraud and abuse in our department and this is what we have done to show that we have done. That report might get our attention. That report would get the attention hopefully, not only of this committee but the authorizing committee and of the Appro-

priations Subcommittee. But it shouldn't cost any more money. It shouldn't take that much more time. So at the present time there are no assumptions for additional cost.

Senator PRYOR. In closing I would like to say that I don't know a lot about this bill. I know very little about it. But the more I hear about it, the better I like it. I wish you good luck and I once again commend you for bringing this matter to our attention.

Senator KASTEN. Thank you, Senator.

Chairman ROTH. Thank you, Senator Pryor.

Senator Kasten, we appreciate your coming here today. We may have further questions. We will look forward to working with you. Thank you, very much.

Senator KASTEN. Thank you, Senator. I appreciate the opportunity to testify before your committee this morning.

Chairman ROTH. Senator Quayle, who is a cosponsor of S. 1120, has a statement which we will insert in the record following Senator Kasten's prepared statement and Congressional Record inserts.

[Senator Kasten's prepared statement, Congressional record statements, and Senator Quayle's prepared statement follow:]

TESTIMONY BEFORE

THE SENATE GOVERNMENTAL AFFAIRS COMMITTEE

JUNE 9, 1981

FOR

S. 1120, THE WASTE, FRAUD AND ABUSE REDUCTION ACT OF 1981

BY

SENATOR ROBERT W. KASTEN, JR.

Mr. Chairman and distinguished members of the Committee, it is a pleasure to testify today on S. 1120 along with Senator Domenici who has provided such outstanding leadership on the Senate Budget Committee. I know he understands the problems of trying to balance the budget and I certainly welcome his support for my bill to eliminate waste, fraud and abuse.

I also wish to commend the leadership of Senator Roth and members of this Committee for your efforts to get at this complex and frustrating problem of mismanagement and inefficiency in government. I have been following the activity of this Committee and fully support your efforts. I certainly feel very comfortable outlining the provisions of my bill: The Waste, Fraud, and Abuse Reduction Act of 1981.

I intend to summarize my testimony and ask, Mr. Chairman, that my full statement today, along with statements which appeared in the Congressional Records April 9th and May 6th, be made part of the record.

This Committee has already held numerous hearings this year on the Merit System Protection Board, fraud, and other related issues, so I do not intend to belabor the point of whether a problem exists. I think we all agree that one does. Don Lambro, the author of Fat City, has suggested waste, fraud, and abuse may be as much as $100 billion annually. You have had testimony suggesting that as much as $35 billion of overdue debt to the Federal government exists and is costing the taxpayers as much as several million dollars daily just for interest.

Mismanagement of contracts is legend. The failure of Federal employees to actively pursue identified problems has been documented.

Meanwhile, this Congress is going about the necessary task of cutting back certain programs and cancelling others.

The taxpayers are well aware of both the program cuts and the continuing waste, and they are fed up. They want government to be more efficient and they believe Congress has a major responsibility. I believe President Reagan has done an excellent job of placing the issue of waste before the voters. He is also creating a better atmosphere within government to attack the problem. I commend him for his efforts.

My bill is designed to enhance these efforts. It would establish a cooperative effort between the Administration and Congress to attack the problems of mismanagement and inefficiency. I believe this bill will strengthen the Administration's hand by signaling to all Federal employees that Congress is concerned, and that we intend to do something -- now.

And within Congress, this bill provides a method for comprehensive review and oversight of all agencies. Too often in the past, I believe,

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we have tended to protect our own special programs -- our turf, if you will. As a result, we have never established a comprehensive review mechanism within Congress. To deal with this problem I know the Chairman of this Committee has been a leader in the effort to make flat percentage reductions for waste, fraud, and abuse. Back in 1978, Joseph Califano, then Secretary of HEW, told Congress there was an estimated $7 billion of waste, fraud, and abuse in his agency alone. Yet, when you offered an amendment, Senator Roth, on July 20, 1979, to cut a minimum amount of $500 million to come from waste, fraud, and abuse in HEW, that amendment failed 53-41. Other similar attempts have failed. I think we need a better mechanism in order to accomplish our objective.

During my campaign last fall, many,many voters expressed righteous indignation about Congress not doing enough to eliminate waste, fraud, and abuse. I decided to draft a bill to try to get at the problem. Let me discuss the philosophy behind the bill very briefly.

Since appropriations for Federal agencies must be based largely upon information from those agencies, it seems to follow that a major portion of the responsibility for efficient management must be placed on the high-level and middle-management Federal employees to provide accurate and adequate information. It also follows that if those folks don't want to ferret out the waste, or in the alternative even try to cover it up, Congress is going to get bad information on which to base its decisions. I believe the major responsibility for getting rid of waste ought to be placed on the executive branch. I also believe it is the proper, necessary, and appropriate role of Congress to insist that they do a good job.

One way to get their attention is by talking money.

This bill has four steps.

The first major provision is designed to get everyone's attention. It simply directs the Secretary of the Treasury to withhold from obligation 2 percent of all appropriated funds until certain other conditions are met.

The second provision is that every agency, by the start of the fiscal year, must submit to Congress a plan outlining what it intends to do to identify and eliminate the 2 percent. This should have the effect of putting everyone on notice right down through the agencies that a plan exists and people are going to be expected to do what they ought to be doing anyway.

The third step provides that every agency can apply to have all or part of the 2 percent money released if they can't find that amount of waste, fraud, and abuse. This, I believe, should negate any criticism of a meat-axe approach. This step is critical to enforcement because it automatically triggers an investigation, or review, by this Committee and the Government Operations Committee in the House. The bill requires that views of the authorizing committees, GAO and I-G reports, and public comment be considered. Gentlemen. all too often these reports, which often contain valuable information, are put on the shelf to gather dust. We need to bring them to the surface and act upon them. We need action by both the Administration and by Congress, not just rhetoric. Otherwise, we are just spending money without getting the desired results.

Now it should be noted that the bill does not provide for this Committee to make a final decision on whether or not funds should be released to the agencies. Rather, Government Affairs and Government

Operations, following their deliberations, will make recommendations to the Appropriations Committees. There is a very important reason for this provision.

The Appropriations Committees are already feeling a bit put upon through the budget process. Chairman Mark Hatfield has been most gracious in his cooperation with the Budget Committee to help make the budget process work. I serve on both the Budget and the Appropriations Committees and I would strongly urge that the Appropriations Committees be allowed to make the final decision. Otherwise, I believe there could be serious conflict over jurisdiction.

Personally, as a member of the Appropriations Committee, I would welcome the recommendations of this Committee. If, for example, an agency came before this Committee and identified cuts made from waste, fraud, mismanagment or reorganization, I would find that information helpful in appropriating money for the subsequent year. Identified waste and mismanagement should be kept out of subsequent budgets.

I would also note at this point, that it is required of the agencies when they make cuts that they list alternatives considered, impacts on programs, and why cuts were made.

This should keep agencies from cutting programs while continuing to tolerate waste or mismanagement.

The final step, Mr. Chairman, is for the Appropriations Committee to bring a resolution to the Congress prior to the fourth quarter disbursement on July 1 authorizing the Secretary to release whatever amount of the two percent money it deems appropriate. It is clear that the Appropriations

Committee could disagree with the recommendations of this Committee. However, I believe your recommendations could serve as a minority report for floor debate.

Mr. Chairman, by itself, this bill will not solve the problems we have been discussing unless both Congress and the Administration make it work. In fact, I have put a sunset provision in so we can reconsider the entire process after two years.

But I do believe it is an important step in the right direction.

At the very least it will send forth a clear signal to the public and the management officials in the Federal government that the days of covering up or ignoring waste, fraud, and abuse because "they don't believe anything can or will be done" are over. Every Federal agency will know that it could be called up here to justify its performance. By withholding the front-end money, bureaucrats will get the clear message that action is expected and required. Every agency will have to submit a plan.

I recognize there may be some duplication. But that may not be bad in itself. I believe any committee with oversight responsibility can hold its own hearings just as Senator Hatch is currently doing with the National Cancer Institute. This bill, in fact, provides for consultation between authorizing committees and this Committee.

Indeed, we need more oversight, not less. As I implied earlier, there is plenty of waste to go around.

And that brings me to another point which is essentially political. This bill will signify a commitment by the United States Senate to make sure that both the Administration and Congress are "looking" for waste. If we don't make looking a priority, it is not likely that we will find very

much. It will be business as usual. I realize that some of my distinguished colleagues might disagree on the details, but there can be little disagreement on the intent of this legislation. I believe the bottom line here is that we are committing to "look" and we are telling the executive branch to "look". In fact, I would say that to vote against legislation similar to this would be to vote against "looking" for waste, fraud and abuse.

And that, I believe, would be politcally unacceptable, given the present mood of the taxpayers.

Finally, I would like to stress that this bill has indirectly been endorsed by the Senate, when we voted in the First Budget Resolution to assume savings of $7.2 billion in 1983 and $7.7 billion in 1984 due to passage of legislation similar to S. 1120. I believe those were very conservative estimates. If we could have early action on this legislation we could start making savings in 1982 as well. If the process would work in 1983 and 1984, then wouldn't it work in 1982?

I should mention that the list of cosponsors on this bill is rather impressive. They are Senators Domenici, Armstrong, Hatch, Deconcini, Thurmond, Andrews, Symms, Quayle, Grassley, Sasser, Denton, Proxmire, Moynihan, and Nickles.

It seems to me, Mr. Chairman, that the implications of this bill go beyond the problem of waste, fraud and abuse. For if we can eliminate these unnecessary costs of doing government business, we cut directly to

(1) the issue of sound fiscal management;

(2) the issue of balancing the federal budget; and

(3) the issue of just how much room can be made for badly needed tax cuts.

These are the most important issues facing us in Congress. The American people are demanding solutions, and they expect them soon.

Thank you, Senator Roth, for holding these hearings so promptly after the bill was introduced. I appreciate the encouragement you have given me and believe that under your leadership this legislation will receive fair consideration. I look forward to working together to solve this problem by promoting greater efficiency and accountability throughout the Federal government.

[From the Congressional Record, Apr. 9, 1981]

Eliminating Waste, Fraud, and Abuse: An Innovative Approach to Save Billions

Mr. Kasten. Mr. President, at a time when both the administration and the Congress are attempting to slow Federal spending and bring the budget under control, it is intolerable and unacceptable not to do everything possible to eliminate waste, fraud, and abuse from every Federal agency.

The American people have the perception that the entire Federal system is frought with waste, fraud, and abuse, and they do not like it. We in Congress have all seen the mounting evidence that there indeed exists plenty of opportunity to tighten budgets. President Reagan in his speech before the Congress termed waste, fraud, and abuse "an unrelenting national scandal."

The President has proposed to focus on these problems and he is to be commended for his initiatives.

But, Mr. President, this is a problem, which the administration ought not to solve alone. Congress has control over the purse strings, and we have oversight responsibilities. What we need is a cooperative plan to insist that Federal managers all across this Nation systematically begin an earnest search to climinate the problems of waste, fraud, and abuse.

Mr. President, I intend to introduce a bill shortly after the recess to provide a formal procedure to attack waste, fraud, and abuse. Today, I would just like to take a few minutes to outline the basic elements of the bill. I would begin by pointing out that estimate of waste, fraud, and abuse have run as high as $100 billion annually. Despite the efforts of inspectors-general and the comptroller generally only a fraction of the potential savings have been realized. Efforts by Congress to reduce expenditures have not been successful. Members from both parties are concerned about the problem.

My bill, Mr. President, would simply force every department to focus on waste, fraud, and abuse. It offers potential savings in Federal spending of billions of dollars during fiscal years 1982 and 1983. If we in Congress do our job, these savings can become a reality and the money saved can be diverted to the badly needed tax cut or to other programs that are now being curtailed.

My bill—the Waste, Fraud, and Abuse Reduction Act of 1981—directs the Secretary of the Treasury to withhold 2 percent of every agency's budget pending comliance with a process designed to eliminate waste, fraud, and abuse. This step will serve notice on all Federal managers that Congress intends to become more diligent in its oversight responsibilities.

The second step requires every agency to submit a report to Congress by the beginning of the fiscal year—October 1, outlining precisely what that agency plans to do to effect the 2-percent savings through the elimination of waste, fraud, and abuse. This step will require each agency to focus on the problem. It will notify the agencies that they must justify their search to Congress it they hope to get any part of the 2-percent "withheld" money released.

The bill provides that by February 1—midway through the fiscal year—every agency must notify Congress if it intends to meet the 2-percent savings, how it will make those savings, and if such savings cannot be made, why not.

The next step—and perhaps the most critical in testing the will of Congress—if for the Government Affairs Committee in the Senate and the Government Operations Committee in the House of Representatives to conduct an investigation into each agency. These committees are directed to utilize information from the authorizing committees. Inspector General reports, GAO reports, and public comments. These committees will determine if the agency is doing the job intended by the Congress. By June 1, these committees will recommend whether or not any part of the withheld funds should be released.

The final step will be for the Appropriations Committees to present a resolution authorizing release of the part of the withheld funds believed to be justified as a result of the investigations. This step is politically important, because it leaves the final decision in the hands of the Appropriations Committees which are most familiar with the specific programs. It should be noted that the recommendations of Government Affairs and Government Operations Committees are to be considered in making these decisions.

Mr. President, if every agency were to save its 2-percent quota, we could reduce the spending levels by from $10 to $12 billion in 1982. And in 1983 this amount could exceed $20 billion, assuming the waste is there to be eliminated. Whatever the saving, there can be no question that money saved could be put to more productive use, including badly needed tax cuts to get the economy revitalized.

Another point should be made. This bill for the first time establishes a process to attack the problem of waste fraud, and abuse. But it does not attack it with a broadax; it attacks it with a scalpel. No agency free of waste, fraud, and abuse need lose a single dime of appropriations. but it must justify that it is free of waste, fraud, and abuse.

The Waste, Fraud and Abuse Reduction Act of 1981 is a moderate, but determined and innovative approach to this critical and pressing problem.

I believe, Mr. President, this concept should receive bipartisan support. It is a strong signal to look for waste, fraud, and abuse. Congress, by adopting this concept, can contribute to an immediate solution. And it will assert the proper role of Congress.

[From the Congressional Record, May 6, 1981]

THE WASTE, FRAUD, AND ABUSE REDUCTION ACT OF 1981

Mr. KASTEN. Mr. President, the Waste, Fraud, and Abuse Reduction Act of 1981 would provide a legislative framework to look for waste, fraud, and abuse in Federal Government. It would set up a cooperative effort by the administration and the Congress toward solving what President Reagan has described as "an unrelenting national scandal." For too long, we have simply talked about doing something to eliminate mismanagement and inefficiencies in the Federal Government. The time has come for action. I sincerely believe this legislation offers an innovative, even-handed approach to getting at the problem—and I believe it is an approach all Members of Congress can support.

In fact, when the Senate Budget Committee considered the first concurrent budget resolution last week, a majority indicated that it was time Congress did something about waste, fraud, and abuse in Government. The Budget Committee assumed that legislation similar to this bill would be enacted by the full Congress, and that the outlay savings would equal $7.2 billion in 1983 and $7.7 billion in 1984.

BUREAUCRATS THINK NO ONE CARES

Up until now, no one has taken congressional efforts to cut waste, fraud, and abuse seriously. The Washington Star published an article several weeks ago headlined: "No One Cares About Waste, Fraud and Abuse, Bureaucrats Say."

Reporter Philip Shandler explained that in a survey of senior executives protected by the Merit Systems Protection Board, 45 percent of the 8,500 respondents said they had seen or had evidence of wasteful or illegal activity in the past year. Yet 7 out of 10—a full 70 percent—said they had told no one what they knew about wrongdoing. Fifty percent said they did nothing because they believed nothing would be done if they reported the waste. Another 20 percent said they were silent because they believed nothing could be done.

"I don't believe that the average employee is afraid of reprisals or is looking for a reward as much as he is convinced no one cares."

A Federal worker told a surveyor recently.

The bureaucrat was explaining why he had not reported what he regarded as waste in his agency.

If these facts are representative of the majority of top executives in the Federal agencies, it is indeed shameful. At a time when everyone in this body is concerned about balancing the budget, when many programs are being pared back to make changes in the Government's direction, and when the American people badly need tax relief, I am convinced the time has come to signal that somebody does care—that Congress cares.

Mr. President, President Reagan has made the elimination of waste, fraud, and abuse a primary concern of his administration. I am also aware that he has established a Council on Integrity and Efficiency to oversee this problem. The President is to be commended for his efforts and good intentions.

However, this problem of waste, fraud, and abuse is too big for one branch of Government to deal with by itself. Indeed, Congress, as guardian of the purse strings, needs to assist the administration; it needs to prod the administration; it needs to exercise leadership. That is exactly what my bill proposes.

HOW THE PROCESS WOULD WORK

The approach is simple.

This legislation will direct the Secretary of the Treasury to withhold from obligation 2 percent of the appropriated funds of each and every agency until Congress has a chance to review each agency's efforts to eliminate waste, fraud, and abuse.

By virtue of this single step, Congress will be saying in a clear, concise way that we are concerned about the problem of waste, fraud, and abuse. It will put every agency on notice that certain steps are expected if the 2-percent money is to be released. It will tell every agency manager to get looking for waste, fraud, and abuse.

By this single provision of the bill, no longer will bureaucrats be able to claim that no one cares.

AGENCIES MUST ACT

The second step will be made by the agencies. The bill requires that by the start of the fiscal year every agency must submit to Congress its plans to look for waste, fraud, and abuse. Agency managers can expect that they will be called before the Congress to explain the steps they have taken. Because this report is required, every agency head will be required to formulate a plan. No longer will it be just talk; action will be required.

And what is healthy about this step is that it will be the Federal agencies that must take the initiative.

CONGRESS WILL REVIEW EFFORTS

By February 1 of each fiscal year, each agency must report to Congress on its progress, and whether it plans to achieve the 2-percent saving.

It should be noted that agencies must explain what alternatives were explored. where savings are expected, impacts on programs, if any, and why one alternative was selected over another.

These reports will automatically trigger full reviews by the Government Affairs Committee in the Senate and the Government Operations Committee in the House of Representatives. This legislation requires that General Accounting Office and Inspectors General reports—all too often ignored—be considered in the review. More important, the bill requires that authorizing committees be asked to consult in the review process. In addition, it is the intention of the legislation that public comment, including media reports, be considered.

These reviews are intended to determine whether an agency is justified in having all or part of its 2-percent money released. The standard will be whether the administrators can show that the agency is free of waste, fraud, and abuse. The purpose is not to arbitrarily penalize any agency for efficient management. Rather, it is to determine if the agency is doing a good job in getting at the problem.

The legislation requires that the Government Affairs and Government Operations Committees then recommend what portion—if any—of the 2-percent money should be released.

APPROPRIATIONS COMMITTEES DECIDE

Finally, the Appropriations Committees will authorize by joint resolution, to be approved by the full Congress, what funds are to be released. It is intended that this action should occur before the July 1, or fourth quarter, disbursement by the Treasury.

The purpose of this step is to leave the final decision in the hands of the Appropriations Committees. This is important because the Appropriations Committees have traditionally had this power, and because the information developed will be essential to establishing appropriation levels for the next year. If waste, fraud, or abuse is eliminated either by the agencies themselves or through recommendations of the investigating committees, then those savings should be considered for the subsequent year's spending.

In drafting this legislation every effort has been made to take into consideration everyone's interests—from the agencies to the authorizing committees to the Appropriations Committees. We will consider all the reports done each year, and we will provide every opportunity for exchange of ideas before a final decision. And—most importantly—we provide a focus. Each agency will be treated exactly the same, with the only purpose being to stop the spending of money illegally, foolishly, or wastefully.

This legislation provides the incentives, the initiative, and the determination to look for waste, fraud, and abuse; nothing more, nothing less. It does not reward agencies for eliminating waste, fraud or abuse. It assumes agencies should be doing that anyway. I believe the public wants no less of an effort.

We are not talking about a few dollars. There is significant evidence before us that waste, fraud and abuse does exist in very large amounts. It is also apparent that savings can be made from eliminating mismanagement and inefficiencies. Donald Lambro has suggested that as much as $100 billion are being wasted every

year. The Senate Budget Committee is assuming that, through passage of legislation similar to "the Waste, Fraud and Abuse Reduction Act," we could save $15 billion in 1983 and 1984. I believe these estimates were conservative. One can hardly pick up a major newspaper today without seeing official estimates in excess of these amounts.

I also believe that we should work to get this legislation passed in 1981. We should move forward while the issue has a high profile and while we have a new administration which has indicated a strong interest in doing something about the problems it inherited. If we can cut waste this year, keep it out, and then go back for more next year, those savings will compound arithmetically.

Indeed, this legislation offers one of our best hopes for balancing the budget by 1984. Nothing is more offensive than spending money wastefully when the economy cries out for frugality. The challenge is to get started now and make the plan effective in 1982.

One final note is necessary. I have provided that the legislation be "sunset" after 2 years on the theory that if it proves effective it can be reenacted. And if it proves ineffective, we will have to seek a better way. I believe the former will occur.

Mr. President, a number of my colleagues have told me this is an innovative approach which ought to be given a chance. I believe Members from both sides of the aisle can, and ought to, support this approach.

In the end, this legislation simply calls on Congress to get on with the job—to look. A Senator could oppose this legislation on the basis that it impinges on somebody's authority, that the Appropriations Committees should do the cutting, or that the administration should make the decisions. But I believe there is plenty of room for everyone to get involved. And I believe, Mr. President, that all arguments pale when confronted by the political reality that there are major savings to be achieved and that the taxpayers expect us to act.

PREPARED STATEMENT OF SENATOR DAN QUAYLE

Mr. Chairman, I am pleased today to again voice my support for the Waste, Fraud, and Abuse Reduction Act of 1981, of which I am a cosponsor. This legislation will be a fundamental tool in our campaign to build a more productive and more efficient federal government. The Administration and this Congress can join in a cooperative effort toward solving what President Reagan has described "an unrelenting national scandal."

President Reagan has made elimination of waste, fraud and abuse a primary concern of this administration. But, the President alone cannot solve this on-going and pervasive problem. The Congress, as guardian of the Nation's purse strings, must aggressively exercise its oversight responsibilities to insure the proper management of its programs. This legislation provides the incentives, the plan, and the simple means for Congress to effect major reductions in government waste.

This bill will not provide the ultimate answer to the waste, fraud and abuse which continues rampant in the federal government. This legislation is not a cure for all the ills of the federal bureaucracy. It cannot ensure that all waste in the government is erradicated.

The bill does provide, however, a process mandating that efforts to deal with waste, fraud and abuse be carried out. This bill is but a beginning. The approach is simple, clear, and concise. This legislation will direct the Secretary of the Treasury at the beginning of the fiscal year to withhold from obligation 2 percent of the appropriated funds of each agency until Congress has an opportunity to review that agency's own efforts to eliminate waste, fraud and abuse. Agency managers will send plans to Congress on these efforts and Congress by joint resolution will determine if the 2 percent funds should be released. By this single procedure, Congress will put every agency on notice that footdragging on administrative reform will not be tolerated. This bill is the embodiment of the seriousness with which Congress views the necessity to erradicate waste, fraud and abuse.

This legislation does not infringe on the authority of the executive branch or the managers of federal agencies. This bill does not interfere with those who direct the daily affairs of the federal government. This bill calls upon those who administer federal programs to assure the Congress that they are efficient and productive.

In the end, this legislation simply calls on Congress to do its job, so that the agencies might better do theirs. This legislation is an important first step in solving the problem of waste, fraud and abuse. Mr. Chairman, I believe that arguments against this legislation will pale in comparison to the savings to be achieved from better managed programs, and the demand that Congress exercise its leadership in administrative oversight. The taxpayers of this Nation demand nothing less.

Chairman ROTH. We will next call on Mr. Len Rippa, director of the Office of Congressional Affairs, National Taxpayers Union.

Mr. Rippa, we are pleased to have you here today. As I am sure you are aware, we would be happy to have you summarize or read your statement. If you summarize it, we will include it as if read.

TESTIMONY OF LEN RIPPA, DIRECTOR, CONGRESSIONAL AFFAIRS, THE NATIONAL TAXPAYERS UNION

Mr. RIPPA. Thank you very much, Mr. Chairman. I have a short statement. If you don't mind, since it is short I will read it and will be pleased to answer any questions. I am pleased to be here to testify on behalf of the Waste, Fraud, and Abuse Reduction Act of 1981. I represent the National Taxpayers Union, a national nonprofit, nonpartisan public interest organization with 450,000 family members who live in all 50 States.

NTU is dedicated to the following goals: An America where free people can work together to build a better life; an honest accounting of Government finances; a reduction of Government waste, spending, bureaucracy, and regulation; lower taxes for everyone; and a constitutional amendment which outlaws inflationary deficit spending and reduces the tax burden.

Since 1969, we have been lobbying on behalf of the taxpayer to achieve these goals. Progress has been slow. Victories for the taxpayer have been few and far between. The Federal deficit has grown incredibly fast the past few years, soon to exceed $1 trillion. I believe we all agree that a major share of this huge deficit has been caused by billions of taxpayer dollars being mishandled, mismanaged, misused, or misspent.

Rhetoric flows freely during political campaigns. All politicians are avowed to stamp out waste, fraud, and abuse when they get to Washington. Political appointees to the executive branch arrive with zeal, thirsting for blood. All too soon the quagmire of bureaucracy envelopes them and they very quickly move from inheritors of problems to those now responsible. And the inclination to look for and root out waste, fraud, and abuse lessens.

Surely as we sit here today, Mr. Chairman, if the administration does not move within this first year to eliminate the causes, then the odds for finding a cure to the insidious disease of bureaucratic waste will diminish or disappear all together.

We commend Senator Kasten and his cosponsors for recognizing this dilemma and taking the initiative to propose solutions. Senator Kasten's bill is creative and innovative in its approach. It not only recognizes that there is waste, fraud, and abuse throughout the Federal Government, he suggests an up-front approach that most bureaucrats will understand. The 2-percent solution is a step in the right direction.

However, some additional steps may help to sharpen the teeth of this forward moving legislation. Withholding 5 percent of the management salaries where waste has been uncovered until the necessary reforms have been made will put on notice those managers that ignore the taxpayer trust that a quid pro quo is in order. Each year, GAO reports instances of waste, fraud, and abuse throughout the bureaucracy. In most instances, these reports are neatly filed away, never to be heard from again. The same applies to Inspectors

General of Government agencies. Direct action is needed. A committee of the Senate should be established with authority to report legislation on any agency to rescind wasteful spending. The problem is so pervasive that this unique authority may ultimately be the only solution. A Senate committee on waste, fraud, and abuse may provide the vehicle necessary to remove wasteful spending mandated by Senator Kasten's legislation.

The Merit Systems Protection Board surveyed Federal workers across the board recently and the perception of most workers was not one of the fear of reprisals for blowing the whistle, but simply that no one cares, so why bother. Almost 50 percent said they had seen or heard about waste resulting from illegal activity or simple negligence. And most tragic of all, about 70 percent said they had told no one. Some rationalized that nothing would be done, or worse yet, that nothing could be done.

Certainly fear of reprisals cannot be eliminated as a factor. Many recall what happened to Ernie Fitzgerald when he blew the whistle on the C–5A cost overruns. The perception of most taxpayers is that waste, fraud, and abuse does exist in varying degrees in every agency of Government. And they do not like it, except for certain individuals who suffer from the "something for nothing syndrome"—and thank God they are in the minority.

The proliferation of Government programs that have driven the cost of Government to mind boggling levels has not been without support from the voters in the past. Taxpayers may tolerate the expansion of Government programs if they perceive a certain activity to be in their own self-interests.

In their book, the Political Economic of Government Growth, Professors Bennett and Johnson address the theory that bureaucratic failure is success. They go on to explain that "the cause of Government growth envisions bureaucratic self-interest as the prime mover through the creation or identification of crises that lowers political and voter resistance to additional programs." In theory, the appropriations are used to purchase resources to solve pressing national needs. If bureaucratic self-interest is the motivating factor, it is axiomatic that no crisis can ever be solved: If a crisis disappears, the justification for the agency, its employees, and its appropriations would also vanish. Bureaucratic entrepreneurship requires that funding must increase over time and, for this to occur, problems must multiply as well. There is no incentive for the careful management of the taxpayer's money, for if an agency does not spend all its money in 1 budget year, additional appropriations in the following year may be in jeopardy. Bureaucratic failure is, from the perspective of the bureaucrat, success.

Thus, the Department of Energy has made no perceptible progress in dealing with any energy issue: HHS has minimal incentives to get recipients off welfare, FDA will continue to find new carcinogens, and EPA will press for additional controls and constraints to combat pollution.

Further, revelations of cost overruns, kickbacks, bribes, and corruption have reduced public confidence in the notion that Government employees are concerned solely with the public interest. At the same time, inflation has eroded the purchasing power of income, escalated property assessments, which increases property

taxes, and placed individuals in higher tax brackets due to the progressive nature of the income tax. Voters are paying considerably higher taxes without commensurate increases in services. Finally, it seems that many believe the bureaucracy has cried "wolf" too often—it now seems that virtually everything causes cancer or is a national crisis. The voter has begun to vent his frustration about bureaucratic failures in the voting booth.

Mr. Chairman, the November 4 elections certainly confirms this theory. Taxpayers are fed up with escalating taxes and runaway inflation. We can all recite horror story after horror story about waste, fraud, and abuse in Government. From the traditional year-end spending sprees that literally shovel money out the window to the billions in uncollected debts owed the Government, there is certainly enough waste, fraud, and abuse to go around.

The President campaigned on a program to eliminate waste, fraud, and abuse—the Senate assumption of a balanced budget in 1984 includes a $7.7 billion reduction based on reforms proposed by Senator Kasten. This effort, though modest, provides a signal that good intentions are not enough. Without the discipline provided by legislation, future administrations will still be "just talking."

The National Taxpayers Union has led the effort since 1975 to achieve fiscal responsibility through a constitutional amendment. It has become increasingly clear that electorial constraints are insufficient to control deficit financing. The disciplines to withstand pressure groups prove too costly in terms of voter returns. It is far easier for an individual Congressman to contribute to spending than to oppose. The discipline to "pay as you go" can only be achieved through constitutional restraints. Similarly, the discipline to look for and eliminate waste, fraud and abuse cannot be left to the good intentions of bureaucrats. The Congress has an obligation to insure that the taxpayers' money is spent wisely. Only through legislative disciplines can the trend to reward bureaucratic failure be reversed.

We urge all Members of Congress to support Senator Kasten's bill. We believe his approach, strengthened by the additional provisions we have suggested, will be a major step toward fiscal responsibility.

That concludes my written statement, Senator Roth. I would be pleased to answer any questions that you might have.

Chairman ROTH. Thank you, Mr. Rippa.

On your proposal of witholding 5 percent from supervision, I am not sure what legal entanglements that would cause, but let me ask you a question from another direction.

We often do try to build penalties into the system which at least so far haven't worked too well. Have you or your organization given any thought to a carrot approach so that people will feel there is some personal incentive to eliminate fraud, waste, and abuse?

Mr. RIPPA. Yes. We feel that currently there are more disincentives to root out, save, and cut the budget, if you will. Many agencies at the end of the fiscal year as you well know seem to go on an orgy of spending simply to spend all their budget in preparation for next year's budget. However, in the Senior Executive Service it appears that the incentive to save really isn't there. More

often than not, their bonuses seem to be predicated on the ability to spend money rather than to save. I think this has been well documented. We have looked into that problem. We think the carrot approach could certainly help. It could complement Senator Kasten's approach for an agency and it would perhaps create incentives for the senior managers to actually save.

However, we feel also that they bear the responsibility of the taxpayers' trust. If there is waste, certainly there should be some quid pro quo. It could be very difficult to manage. I agree with that. But certainly it would send a signal that the taxpayer was fed up with his money being mishandled.

Chairman ROTH. I think your statement correctly points out part of the problem. The practice in Government is to spend everything you get so that each year you will get something more. This is in contrast to the private sector, where you have competition. There you have to cut to remain alive.

In the past, that has been when we increase our spending to supplement the private sector. Until recently there haven't been any built-in incentives to save and eliminate abuses.

Knowing the problem is one thing. But when you are dealing with a budget as large as our Federal budget, it becomes very difficult.

I think part of the President's proposal of putting together a number of block grants is one step to trying to attack that problem. I don't think there is not any one simple answer.

Mr. RIPPA. Can I make one observation to that, sir? Of course block grants reduces the management of resources to the lowest level that can more effectively manage it at the State and local level, which I think certainly is a step in the right direction. The budgetary process almost requires, it seems, it is almost mandatory, to create some justification to spend more in the next fiscal year than you did in the present fiscal year. There seems to be a syndrome of increasing the budget. As I pointed out earlier, and I believe Senator Domenici commented on it, the padding problem is certainly a danger in this kind of approach. We feel regardless of the inherent dangers in the padding, regardless of the bureaucratic problems that might be inherent in a bill such as Senator Kasten has proposed, we think is a clear signal that the taxpayer deserves to have his money managed wisely. Certainly there is no argument, I think there is no argument from any proponents or opponents that there is waste, fraud and abuse. It is just horror story after horror story.

I am not going to belabor that point. But, my goodness, you read about it, the investigations, GAO I believe said, or Mr. Staats, of GAO, when he retired, identified something in the neighborhood of $15 billion in waste in the Department of Defense. Certainly their budget is not sacrosanct—$15 billion. We are talking about a whole bunch of money. If nothing else, Senator Kasten should be commended for an innovative approach to at least trying to solve the problem; let's get a little piece of the action for the taxpayer and get 2 percent right up front, and worry about the details later.

Chairman ROTH. I would agree with you. I think Senator Kasten has submitted a very innovative approach that is worthy of careful consideration by the full committee.

I have a feeling that part of the problem is the lack of oversight on the part of Congress, including the authorizing committees.

There is a tendency, as you well know, for each of the committees, whether it is on the social side or the defense side, to be protective, rather than investigative in their approach. Somehow we have got to change that.

I am hopeful that this committee, the Governmental Affairs Committee, will exercise aggressive oversight within our jurisdication. We really cannot overview everything. Because of the sheer size of Government, that is impractical. Yet I would hope that we could somehow become the gadfly if nothing else to provide some leadership to the other committees to take a tougher look at the programs within their jurisdictions.

I want to thank you for your most helpful statement.

At this time I will call on Senator Pryor.

Senator PRYOR. Thank you, Mr. Chairman.

Mr. Rippa, by the way, I am an admirer of your organization and I think that you serve a fine purpose. You have observed for some time this Federal system of budgeting and you have seen an awful lot of waste, fraud and abuse and you have studied and commented on it. You have been before this committee on several occasions. Have we made any progress in the last few years?

Mr. RIPPA. I think certainly we have made some progress. I think there is certainly a long ways to go as well. I think the perception of the taxpayer, and we hear this from our members, that the elimination of wasteful spending seems to be a high priority. I believe the budget process that we are just going through, the President has proposed some very stringent budget cuts, but certainly not enough to cause the outcries by some special interest groups. Many of the Members of Congress, on both sides, the House and Senate, have been beat around the head and shoulders on some of these budget cuts, from Veterans Affairs, Food Stamps and all of these entitlement programs.

Most taxpayers believe that we are moving in the right direction to achieve fiscal responsibility, that we must spend the money wisely and that there is plenty of room to cut the budget. It just depends on whose ox is going to be gored, and which one, as you know, Senator Pryor. Wasteful spending, pork barrel, logrolling, in the Congress, we believe very strongly that gentlemen like yourself, Senator Roth, Senator Kasten, that certainly have addressed the problems, recognized there is a problem; whether you are going to be able to solve it, I do not know. We are certainly here to support you. We will work with you. I think we are moving in the right direction. Yes, I do think there is some progress.

Senator PRYOR. Have you noticed any progress since we have created the Offices of Inspector General in the agencies?

Mr. RIPPA. We looked at that somewhat. Certainly the Inspectors General are a very valuable vehicle. Abuse of the office itself has caused some consternation where the exposure of waste is pure and simple. There is no real judgmental factor that it is waste. It is not necessary to spend, and in some cases bordering on abuse or fraud have been swept under the rug. I am not sure what the answer to that is. But this kind of legislation might help. I think it is placing managers that believe—really and sincerely believe in the taxpay-

ers' trust, certainly is the right answer. But with fraud, as Senator Roth pointed out, over 600 agencies—I am not naive enough to assume we are going to do that in one fell swoop. We need to work in that direction.

Our members are very cognizant of the fact that there is waste, fraud and abuse in the Government. I feel if we don't address it from a legislative standpoint, to put the discipline where it belongs, I just don't think it will happen. If it is just good intentions, it just won't happen.

Senator PRYOR. If you could poll your members once again and ask them the question as to where the blame lies, would they say that the blame lies with the Members of Congress or the President, or the bureaucracy, whatever that is? Where would they say most of the blame lies?

Mr. RIPPA. I think we place the blame initially on Members of Congress.

Senator PRYOR. That is where it is. That is where the blame is.

Mr. RIPPA. That is where the blame is. I received a letter recently in response to one of our taxpayers, where we inform, educate and hope that our members will communicate their views to their Members of Congress. It happened to be on the subject of additional or continued subsidies for Amtrak. This member wrote and said, "Last year I wrote to Congressman so-and-so and he ain't here anymore, and this year," he said, "I hope you vote right because next year you might not be here."

So there is that concern. The voter is aware that they do have some power to change the big spenders, so to speak, but we are not going to do it all. I think everybody has to join together and vote in the taxpayer's best interests. It is very difficult because of the constituency pressures, voter pressures, and we are not being naive about that. But there is a limit, a line, where you have to draw the line, to stand up and be counted.

We commend those that do. We condemn those that don't. I think that is the process. We have to keep the pressure on.

Senator PRYOR. I also would like to take a moment to thank you for you and your organization's participation in supporting some of the attempted cuts we have tried to make in the area of Government consulting. For example, just recently with the chairman's support, and his help, we took $500 million out of the 1982 fiscal year for consulting and related services. I think that is really just a drop in the bucket. It is awful hard once again to identify it.

Mr. RIPPA. I might say, too, I did support and testify in behalf of the Consulting Reform bill of 1980 that you cosponsored with former Congressman Harris. But that is an area that certainly still needs a lot of attention.

Senator PRYOR. This probably is not good for a politician to say, but I think that some of us get as frustrated as some of the members of the Taxpayers' Union get. I know last year I became totally frustrated about a ludicrous situation that was happening with the General Services Administration with regard to purchasing furniture from firms that I thought we had no business purchasing furniture from. I won't go into that. But I became so absolutely frustrated and I exercised every responsibility and everything that I could think of as a Member of the Senate and still I

don't know if we ever made any progress in that field. Maybe we did shine a little light on the subject and that brings me to my conclusion. I think that shining light on these subjects is going to probably do as much or perhaps more than any legislation, even though I think Senator Kasten's legislation may be a step in the right direction.

I think once again it forces agency managers to manage. If we could implement that in some way, it might be a step forward. Thank you very much, Mr. Rippa.

Thank you, Mr. Chairman.

Chairman ROTH. It is always a pleasure to have you before the committee, Mr. Rippa, and we look forward to continuing to work with you.

Mr. RIPPA. Thank you very much, sir.

Chairman ROTH. At this time we would call forward Mr. Myers, the Director of Program Analysis Division, U.S. General Accounting Office.

Mr. Myers, if you would, introduce the gentleman with you, and then you can proceed as you feel appropriate.

TESTIMONY OF MORTON MYERS, DIRECTOR, PROGRAM ANALYSIS DIVISION, GENERAL ACCOUNTING OFFICE, ACCOMPANIED BY KENNETH HUNTER, SENIOR ASSOCIATE DIRECTOR, PROGRAM ANALYSIS DIVISION

Mr. MYERS. Good morning, Mr. Chairman.

On my left is Kenneth Hunter, Senior Associate Director of the Program Analysis Division, in charge of the GAO's work in the program and budget information area.

Mr. Chairman, with your permission, I have a brief statement. I would like to read it for the record, if I might.

Chairman ROTH. Very good.

Mr. MYERS. Thank you.

We are pleased to be here today to present our views on S. 1120, the proposed Waste, Fraud, and Abuse Reduction Act of 1981.

As you know, our office reviews activities and programs of Federal agencies to identify opportunities for greater economy, efficiency, and effectiveness. Given our office's role in the Government, we heartily agree with and endorse the objective of efforts to reduce waste, fraud, and abuse in the administration of Government programs. S. 1120 would seek to accomplish this objective by an across-the-board 2-percent reservation of funds for fiscal years 1982 and 1983. We question whether the approach taken in this bill will achieve its objective. We are concerned that the bill would create disincentives to reporting waste, fraud, and abuse, and that it establishes procedures which are duplicative of the existing budget control process and are unclear in some respects.

We are especially concerned about the disincentive to appropriate and timely reporting of fraud, waste, or abuse by agency inspectors general and internal audit organizations. As we understand S. 1120, those agencies which determine there is no such waste, fraud, or abuse may submit a request to the Congress for release of the amount withheld from them, which would be, under S. 1120. equal to 2 percent of their appropriation.

Similarly, an agency which was able to save less than 2 percent may request the release of the difference between the amount withheld and the amount saved. The only agencies that could not request a release of funds withheld would be those who reported they had saved 2 percent or more.

Under these ground rules, the less fraud, waste, and abuse an agency reports, the greater will be the amount it can request to be restored.

Thus, some agencies could begin to look with disfavor on the timely reporting of their internal audit or inspector general organizations which show savings from fighting fraud, waste, and abuse, because reported savings will be offset against the 2 percent withheld. This would be unfortunate and may have negative consequences in connection with internal audit operations including those of the inspectors general.

S. 1120 would in effect establish a separate process for administering 2 percent of each agency's appropriation. From the agencies' perspective they would have two sources of funds and separate processes for each source. Thus the workload of most participants in the budget process will be increased in addition to the workload of the new participants who must administer the new requirements for reporting and evaluating fraud, waste, and abuse efforts.

In our judgment, the budget process already has severe timing and workload problems, and we are reluctant to support adding to it.

Three specific aspects of the process that concern us are:

One, the 2 percent is apparently intended to apply to all of the appropriations of each agency, yet the "savings" are not intended to reduce services. Agencies which have very small administrative costs and are not able to make savings may find it very difficult to wait until the beginning of the last quarter to know if they are going to get the 2 percent released or not.

Therefore, it will probably be necessary to develop special rules for some agencies. There are agencies with administrative costs which are less than 2 percent of the total appropriated money. Hence, they basically would be operating without the benefit of administrative funding until such time in the last quarter of the fiscal period under S. 1120 when they would know whether there would be a 2-percent restoration or not.

Two, the agencies have the only explicit means for initiating the process for releasing the funds. Since the agencies are given discretion as to whether or not to submit a request, an agency could lower its funding simply by not requesting release. You may want to make the bill explicit that the committees have the authority and responsibility to initiate release themselves where the agency has not made a request but the Congress still believes the entire amount originally appropriated should be spent. This would be the equivalent of an agency having impoundment authority up to 2 percent.

Three, without any definitions or criteria for what constitutes fraud, waste, and abuse and how to measure "savings" we are not sure how disputes would be settled over the classification and measurement of the "savings" that are to be offset against the 2 percent withheld. We anticipate that this could require an item-by-

item review by this committee to determine specific items and amounts to be included or excluded.

In sum, although we strongly agree with and endorse the objective of reducing waste, fraud, and abuse, we are concerned about the means to achieve this objective embodied in S. 1120. We urge that you examine the relationship and impact of the bill on existing laws and procedures for Federal budget and spending control and auditing.

There are a number of ways of improving specific aspects of Government administration in order to achieve economies including better debt collection, procurement practices, and internal control systems which we are working on with your committee.

There is also the alternative of reducing appropriations directly and thus forcing agencies to find economies or request and justify supplemental appropriations, which would all be accomplished through existing procedures.

That concludes my prepared remarks. I would be pleased to answer any questions you may have.

Chairman ROTH. If I understand your testimony, Mr. Myers, then you feel that the general thrust of the legislation is contrary to what we should be doing. You do not see this—I want to make sure I understand what you are saying—you do not see these as minor defects, but you think the basic thrust itself is contradictory to the goal of the bill?

Mr. MYERS. We indeed, Mr. Chairman, are concerned with whether or not the most worthwhile objective of S. 1120 will be achieved by its present provisions.

Chairman ROTH. I would like to reiterate again, that I think the vast majority of public servants are well-meaning, loyal employees. At the same time, I have to agree, as a result of some of your earlier studies, that there is a lack of appreciation for whatever reason, as to the scope of the problem, that the employees don't feel it is worth their time to expose fraud or take action.

How do we remedy this? I think it is a very innovative concept offered by Senator Kasten. The things you outlined we already, of course, have those rights. As I said earlier, in many ways I feel that there is a lack of meaningful oversight on the part of Congress. But that is also an easy criticism to make. It is the sheer dimension of the budget that makes it very difficult for Congress or any particular committee to go deeply into each of those things and really intelligently review them. I think there is a lot of idle talk about this without really getting to the meat of the matter.

But if S. 1120 is the wrong approach, certainly what we have on the books is not working as well as I think any of us would like it to. Do you have any other suggestions?

For example, I often think a carrot is a lot better than a stick. Maybe we ought to have both. Has the General Accounting Office given any thought to that aspect?

Mr. MYERS. Let me offer two things that might go to the thrust of your inquiry, Mr. Chairman. Normally the General Accounting Office would favor those actions that tend to be targeted. As you point out, they do involve the ferreting out and specific attention to particular topical items. Generally we do not favor an across-the-board approach because by its very nature being untargeted, it has

the ability to sweep in certain things that are worthwhile and perhaps have a negative effect on things that no one would otherwise feel were wasteful.

If one was going to use an untargeted approach, we would favor the approach taken by you personally sometime in the past to merely call for a percentage decrease of agencies' appropriations. It would not have this accompanying mechanism and the other problems we feel are inherent as well as the most serious disincentive provisions.

Other than that, we have done only in-house, internal thinking about a program that perhaps would have some type of a sharing mechanism. If Federal managers are able to come up with savings, then some percentage of those savings could be made available for that agency, for that program's use, that type of thing. There are legal ramifications. OMB, the Congress, OPM, all have to be consulted.

Chairman ROTH. I must confess that is an area where I have given some thought, but have never come up with any very practical formula.

It does seem to deserve merit if you could do it in an intelligent manner.

Let me go, for example, to this testimony earlier based on the General Accounting Office point that a very large percentage of Government travel is not documented.

I think we all agree that some travel is good and essential. Yet there is a feeling, at least on the part of many of us here, that much of it is unnecessary. It may apply in this body as well as in the executive branch. But how do you attack it? In the past I have attempted to reduce the cost of Government travel. My committee is continuing these efforts this year. But, according to GAO, 75 percent of Government travel isn't documented. Can we require documentation so that travel can be carefully reviewed or are we going to end up doing a lot more paperwork that is going to increase costs? One of my real concerns with my proposal, as well as with this new one, is that we do not adopt a lot of new procedures which in theory are good, but which in practice just increase the paperwork and the roadblocks in government generally.

Let me attack that problem of travel. I don't know whether you call it waste or abuse, but it would seem to me to fall within one of those categories. How do we attack that problem?

Mr. MYERS. Frequently as to the category, that is a matter for the eye of the beholder, Mr. Chairman. I suspect that those who felt that a trip was essential would argue strenuously that it was not wasteful at all. In our own agency we have rules. I think rules and paperwork are sometimes inherent in the kinds of things we are talking about today. They may not be avoidable. One must have standards for travel and they have to be set forth and conveyed. Managers have to be held accountable.

Chairman ROTH. Is that written documentation?

Mr. MYERS. Yes. It certainly is. There are justifications as to how many people can go on a single trip. If somehow you need more than a single traveler, at a given location, for a given purpose, you would have to justify it. That does require documentation. It does,

however, indicate that there is a seriousness about the need for that second individual on the trip.

We also priority-rank travel. That travel which is directly related to the accomplishment of a mission as opposed to giving a speech would have a much higher ranking in priority order. Some of these other things we would never have money available at all to fund. So rules and regulations I think will be necessary.

Chairman ROTH. I don't know whether you are familiar with those reports. This may be unfair to question you on this today, but these reports that show that 70, 75 percent of the travel is undocumented, does that mean there is no written approval or authorization?

Mr. MYERS. I am not directly familiar with those reports. Let me refer to Mr. Hunter.

Mr. HUNTER. No. I am not familiar with those reports, either.

Chairman ROTH. Gentlemen, I think that is all the questions I have at the moment. We will be continuing to call upon you in this area, I am sure, as long as any of us are here.

We thank you for your help.

The committee is in recess.

[Whereupon, at 11:45 a.m., the committee was recessed, to reconvene subject to the call of the Chair.]

ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

97TH CONGRESS
1ST SESSION

S. 1120

To reduce the amount of funds available to an agency unless the agency has reduced waste, fraud, and abuse to the maximum extent feasible or demonstrates that no waste, fraud, or abuse exists in the administration of programs, and for other purposes.

IN THE SENATE OF THE UNITED STATES

MAY 6 (legislative day, APRIL 27), 1981

Mr. KASTEN (for himself, Mr. DOMENICI, Mr. ARMSTRONG, Mr. HATCH, Mr. DECONCINI, Mr. THURMOND, Mr. ANDREWS, Mr. SYMMS, Mr. QUAYLE, Mr. GRASSLEY, Mr. SASSER, and Mr. DENTON) introduced the following bill; which was read twice and referred to the Committee on Governmental Affairs

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A BILL

To reduce the amount of funds available to an agency unless the agency has reduced waste, fraud, and abuse to the maximum extent feasible or demonstrates that no waste, fraud, or abuse exists in the administration of programs, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Waste, Fraud, and Abuse Reduction Act of 1981".

APPLICABILITY; DEFINITION

SEC. 2. (a) This Act applies to fiscal years 1982 and 1983.

(b) For purposes of this Act, the term "agency" has the same meaning as in section 552(e) of title 5, United States Code.

APPROPRIATIONS NOT AVAILABLE

SEC. 3. Of any amounts appropriated for an agency for a fiscal year to which this Act applies, an amount equal to 2 per centum of such amount shall not be available for obligation or expenditure unless—

(1) the agency transmits to the Congress the plan required for such fiscal year under section 4;

(2) the agency transmits the report required under section 5 to the Congress on the implementation of the plan required under section 4 and requests the Congress to make available for obligation or expenditure all or part of the amounts withheld under this section; and

(3) a joint resolution is enacted, in accordance with section 6, directing the Secretary of the Treasury to make all or part of the amount withheld available to the agency for obligation or expenditure.

PLAN FOR THE REDUCTION OF WASTE, FRAUD, AND ABUSE

SEC. 4. (a) Not later than June 1, 1981, and not later than one year thereafter, each agency shall prepare and transmit to the Congress a plan, for the fiscal year beginning on October 1 of the year in which the report is submitted, detailing how the agency intends to reduce any waste, fraud, and abuse which may occur in the administration of programs by the agency.

(b) Any plan required by this section may not provide for the reduction of services provided pursuant to the programs administered by the agency.

REPORT ON EFFORTS TO REDUCE WASTE, FRAUD, AND ABUSE

SEC. 5. Not later than February 1 of each fiscal year to which this Act applies, each agency shall prepare and transmit to the Congress a report on the efforts of the agency during such fiscal year to reduce waste, fraud, and abuse in the administration of programs, including the efforts of the agency to implement the plan required by section 4. The report required by this section shall include—

(1) in the case of an agency which has made reductions in such waste, fraud, and abuse—

(A) a description of the nature of such reductions;

(B) a specification of the amount saved by the agency as a result of such reductions and of the percentage such amount constitutes of the amounts appropriated for such agency for such fiscal year; and

(C) if applicable, an explanation why the agency was unable to make reductions in waste, fraud, and abuse in the administration of agency programs which would result in savings of an amount equal to or in excess of the amount withheld under section 3;

(2) in the case of an agency which has been unable to make any reduction in such waste, fraud, and abuse, a statement of the reasons for such inability; and

(3) in the case of an agency which has determined that there is no such waste, fraud, or abuse, a statement specifying such determination and the basis on which such determination was made.

RELEASE OF FUNDS

SEC. 6. (a) Any agency which, during a fiscal year to which this Act applies (1)(A) made reductions in waste, fraud, and abuse in the administration of programs which resulted in savings in an amount less than the amount withheld under section 3 or (B) determined that no such waste, fraud,

or abuse exists, and (2) submitted the plan required by section 4 and the report required by section 5, may, in accordance with this section, submit a request to the Congress for the release of the amount withheld from obligation or expenditure under section 3.

(b) Any request by an agency under this section for the release of amounts withheld under section 3 may—

(1) in the case of an agency which has made reductions in waste, fraud, and abuse in the administration of agency programs, be for an amount which equals the difference between the amount withheld under section 3 and the amount saved by the agency as a result of such reduction; and

(2) in the case of an agency which has made the determination described in section 5(a)(3), be for an amount equal to the amount withheld under section 3.

(c) By April 1 of each fiscal year, the Committee on Governmental Affairs of the Senate and the Committee on Government Operations of the House of Representatives shall conduct an investigation of the efforts of each agency which submits a request under this section to reduce waste, fraud, and abuse in the administration of programs, and shall transmit to the Committee on Appropriations of its respective House its recommendations concerning whether all or part of the amount withheld under section 3 should be made availa-

ble for obligation or expenditure by the agency. In conducting the investigation required by this subsection, the Committee on Governmental Affairs of the Senate and the Committee on Government Operations of the House of Representatives shall—

(1) solicit and consider comments from the committees of the Senate or the House of Representatives having legislative jurisdiction over programs administered by the agency concerning the efforts of the agency to reduce waste, fraud, and abuse in the administration of such programs; and

(2) consider any report by the Comptroller General of the United States or the Inspector General or other comparable official of the agency with respect to the efforts of the agency to reduce waste, fraud, and abuse in the administration of programs.

(d) The Committees on Appropriations of the Senate and the House of Representatives may report to their respective Houses a joint resolution directing the Secretary of the Treasury to make all or part of the funds withheld under section 3 available for obligation or expenditure by the agency.

(e) The provisions of subsections (a) and (c) are enacted by the Congress—

(1) as an exercise of the rulemaking power of the Senate and the House of Representatives, respectively, and as such they are deemed a part of the rules of each House, respectively; and they supersede other rules only to the extent that they are inconsistent therewith; and

(2) with full recognition of the constitutional right of either House to change the rules (so far as relating to the procedure of that House) at any time, in the same manner and to the same extent as in the case of any other rule of that House.

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